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**STATEMENT OF THE HONORABLE DUNCAN HUNTER  
CHAIRMAN, SUBCOMMITTEE ON MILITARY PROCUREMENT**

This afternoon we will receive testimony from three panels consisting of witnesses from the U.S. Navy, the Congressional Research Service, and the shipbuilding industry on the Navy's shipbuilding plans as set forth in the recently released President's Budget for fiscal year 2001. This format is intended to provide three perspectives on the Navy's plans. First, from the senior officer responsible for the development of the Navy's requirements, and fleet commanders – his internal Navy "customers"; second, from a recognized and unbiased expert in Navy force structure and shipbuilding issues at the Congressional Research Service; and third, from CEOs and senior executives within the shipbuilding industry.

The U. S. Navy now operates a fleet of 316 surface ships and submarines that is expected to decline to a Quadrennial Defense Review (QDR) recommended level of 305 ships. This fleet is only a little larger than half the size of the Navy of the 1980's that comprised almost 600 ships at its peak. While some argue that the end of the Cold War and the improved combat capabilities of today's modern warships permit a much smaller Navy than would have been required only a decade ago, they ignore the fact that the peacetime forward presence requirements for the Navy have not changed significantly since the end of the Cold War. Indeed, in some respects, those presence requirements for today's smaller Navy have increased as illustrated by continuing large-scale presence missions in the Persian Gulf and the Adriatic.

Since today's Navy, and that planned for the near future, is so much smaller than that of the Cold War era, it is imperative that the ships and submarines we procure are platforms that maximize both combat and cost effectiveness. These ships should incorporate the technology and design flexibility to significantly reduce manning and maintenance requirements and permit the insertion of new technologies as they mature over the service lives of the vessels. While the Navy's new DD-21 land attack destroyer, the *Virginia* class attack submarine, and the *San Antonio* class amphibious assault ship are representative of the advanced ship types the Navy will need in the 21<sup>st</sup> century, I am concerned that the relatively slow production profiles for these ship classes will necessarily mean that the Navy will be operating older ships and submarines for a longer time than may be desirable.

The latest President's Budget request has the Navy building only 39 ships over the five-year period from fiscal year 2001 through 2005. This is a decrease of two ships from last year's shipbuilding plan for the same five-year period. The trend seems to be moving in the wrong direction and raises questions about the Navy's ability to sustain the higher shipbuilding rates necessary to support a fleet size of 305 modern ships over the long term. By the Navy's own estimate that required annual rate is an average of between 8 to

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10 ships per year. Over the five-year period ending in fiscal year 2005, the Navy will average a procurement rate of only 7.4 ships per year – well short of the lower end of the required range.

Furthermore, for certain classes of ships that average rate may not tell the whole story. For example, even when using the relatively modest QDR goal of 50 attack submarines (SSNs), the Navy may have difficulty maintaining an SSN force of that size beyond 2015. The Navy is taking steps to address this issue by lengthening the expected service lives of existing SSNs through operating restrictions to preserve reactor core lives, and reviewing options to refuel ships previously scheduled for decommissioning and to convert ballistic missile submarines to conventional missions. While these measures may provide some relief in the short term, the Navy cannot avoid the inescapable requirement to build more, relatively expensive, SSNs at a rate greater than a single ship per year.

This situation for SSNs may be worse than I have just highlighted. The requirement for a force of 50 SSNs is a QDR number. The Joint Staff just recently transmitted a classified report to the Congress that defines its requirements for the Navy's SSN force. If the witnesses can discuss unclassified elements of this report in today's forum, it would be most helpful in understanding the military's actual requirements for SSNs.

To the extent that the Navy's long range shipbuilding plans require large sustained increases in funding for the Shipbuilding and Conversion, Navy (SCN) account to maintain a 305 ship fleet there is risk. We are facing serious modernization challenges across the spectrum of military systems and in all the services, to include: tactical aviation, precision guided munitions, ground combat vehicles, support equipment, and telecommunications that will require significantly increased funding over a sustained period of time to rectify. We are in this situation because of a failure to commit the resources necessary to address growing problems in these areas for too long.

Before we proceed, I'd like to address a frequently heard criticism that too much is spent on buying unneeded hardware while shortchanging readiness and quality of life. It's something the late CNO Admiral "Mike" Boorda once said about trade-offs between modernization and quality of life. He said that modernization is a quality of life issue if you intend to go in harm's way. With that I would like to welcome our first panel of witnesses to discuss the Navy's shipbuilding plan:

- Vice Admiral Conrad C. Lautenbacher, United States Navy  
Deputy Chief of Naval Operations  
(Resources, Warfare Requirements, and Assessments)
- Vice Admiral Charles W. Moore, United States Navy  
Commander, Fifth Fleet
- Vice Admiral Dennis V. McGinn, United States Navy  
Commander, Third Fleet

Our second panel will provide an independent analysis and critique of the Navy's shipbuilding plan and its adequacy of supporting the QDR goal of a fleet of 305 ships. The panel consists of a single witness from the Congressional Research Service who has appeared before this subcommittee before and is a widely respected expert in naval force structure and shipbuilding matters. I am pleased to welcome our good friend:

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- Mr. Ronald O'Rourke  
National Defense Specialist  
Congressional Research Service

Our final panel will provide an industry perspective on the Navy's shipbuilding plan. There is concern that the procurement levels projected may be insufficient to support a robust shipbuilding industrial base over the long term. Of particular concern is that a weak industrial base may lead to the gradual erosion of both real competition and innovation that is necessary to ensure that the Navy will continue to maintain its technological edge over any potential adversaries.

There are currently only six major shipyards engaged in new construction of ships for the U.S. Navy. One of these facilities is an independent corporation and the others are divisions of two corporations. It has become increasingly difficult to support these facilities with the low level of Navy shipbuilding of the past decade. The consolidation that the industry has experienced to date has been in response to the lack of Navy orders.

Navy shipbuilding will continue to account for the commanding majority of the new construction of large, technically complex ships in this country for the foreseeable future. The sufficiency of the Navy's shipbuilding plan is of paramount concern to the industry. A failure to keep the major entities in shipbuilding industry adequately engaged in the design and construction of modern naval vessels may severely restrict the Navy's ability to procure advanced designs far into the future.

Given that the Navy's shipbuilding plan is so critical to the health of the industry, it is only appropriate that we have representatives of the shipbuilding industry here today to provide their perspective. I look forward to a frank and open discussion of the adequacy of the Navy's shipbuilding plan and the state of the U.S. shipbuilding industry.

Our third panel today will be comprised of industry witnesses. I am pleased to welcome:

- Ms. Cynthia L. Brown  
President of the American Shipbuilding Association
- Mr. William P. Fricks  
President and Chief Executive Officer, Newport News Shipbuilding
- Mr. John K. Welch  
Senior Vice President, General Dynamics
- Dr. Lawrence J. Cavaola  
Vice President for Strategic & Business Development, Litton Ship Systems

Before we begin the first panel, let me call on the gentleman from Virginia, the ranking Democrat of the subcommittee, Mr. Sisisky, for any remarks he would care to make.

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